

Message Text

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PAGE 01 COLOMB 02130 051153Z

ACTION EB-08

INFO OCT-01 NEA-11 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 /125 W

-----025530 051155Z /53

P R 051105Z MAY 78

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 294

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: MTN,ETRD, GATT, CE

SUBJECT: US/SRI LANKA BILATERAL ON US TARIFF OFFER

REF: (A) GENEVA 04787(NOTAL), (B) STATE 089948, (C) STATE 24987,
(D) STATE 53450, (E) COLOMBO 1594

1. EMBOFF MET WITH DIRECTOR OF COMMERCE, MR. J.R.
SAMARANAYAKE APRIL 25 AND MAY 2 TO DISCUSS POINTS RAISED
REFTELS.

2. IN FIRST MEETING, EMBOFF STRESSED IMPORTANCE OF EARLY
GOVERNMENT OF SRI LANKA (GSL) RESPONSE TO US OFFERS IN
LIGHT OF OUR GOAL TO COMPLETE NEGOTIATIONS WITHIN THE
NEXT FEW MONTHS AND LACK OF DEFINITIVE RESPONSES TO US
OFFERS SEVERELY IMPEDING PROGRESS. SAMANARANAYKE AGREED
THAT RESPONSES TO US OFFERS WOULD BE GENERALLY HELPFUL
TO ALL CONCERNED. HE STATED, "HOWEVER, SRI LANKA
MUST WAIT AND SEE WHAT CERTAIN OTHER COUNTRIES DO BEFORE
WE PROCEED BEYOND THE CHANGES ALREADY PRODUCED BY THE
SRI LANKA GOVERNMENT'S NEW ECONOMIC POLICIES."

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PAGE 02 COLOMB 02130 051153Z

3. REFERRING TO THE NEW POLICIES, EMBOFF ASKED IF
GSL WAS CONSIDERING BINDING THE TARIFF REDUCTIONS ON
DISINFECTANTS, FUNGICIDES AND INSECTICIDES (REFTEL A).
SAMARANAYAKE ANSWERED THAT THERE WOULD BE NO GSL DECISION
ON THIS NOR ANY SIMILAR COMMITMENTS BY GSL UNTIL IT WAS
KNOWN WHAT ACTIONS CERTAIN G-77 COUNTRIES TOOK, ESPECIALLY

WITH REGARD TO US REQUEST FOR RECIPROCITY FROM LDC'S. EMBOFF EXPLAINED THAT US IS EXPECTING CONTRIBUTIONS FROM LDC'S TO BE CONSISTENT WITH DEVELOPMENT, FINANCIAL AND TRADE NEEDS OF THE PARTICULAR COUNTRY, AND SRI LANKA'S RECENTLY ADOPTED POLICIES WHICH IMPACTED ON TARIFF STRUCTURE WERE RECOGNIZED AS HAVING POTENTIALLY SIGNIFICANT BEARING ON OVER-ALL BILATERAL NEGOTIATIONS.

4. SAMARANAYAKE APPEARED RELUCTANT TO DISCUSS SPECIFIC COMMODITIES. AS NO AIM WAS TO BE SERVED BY CONTINUED GENERAL DISCUSSION, MEETING ENDED WITH AGREEMENT TO MEET AGAIN WITHIN ONE WEEK.

5. IN SECOND MEETING ON MAY 2ND, MR. SAMARANAYAKE WAS CONSIDERABLY MORE AMENABLE TO DISCUSSION OF SPECIFICS ALTHOUGH HE REMAINED NEARLY AS NON-COMMITAL AS PREVIOUSLY. CHANGE WAS PROBABLY DUE TO MINUTES OF MARCH 23 MEETING IN GENEVA BETWEEN US AND SRI LANKA DELEGATES (REFTEL A) HAVING BEEN RECEIVED IN INTERIM. NOTING SAMARANAYAKE'S APPARENT WILLINGNESS TO DISCUSS TOPICS CONCERNED REFTEL A, EMBOFF ASKED AGAIN IF GSL WOULD CONSIDER BINDING THE CURRENT TARIFF RATES ON INSECTICIDES, FUNGICIDES, AND DISINFECTANTS. MR. SAMARANAYAKE RESPONDED THIS TIME THAT BEFORE THE GSL COULD CONSIDER BINDING THE TARIFF RATES AN ASSESSMENT WOULD HAVE TO BE MADE OF THE BENEFITS WHICH GSL WOULD DERIVE FROM FINAL OFFERS BY US. HE LIMITED OFFICIAL USE

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PAGE 03 COLOMB 02130 051153Z

STATED THAT GSL'S PRIMARY INTEREST IS IN TARIFF STRUCTURE AND THEN MENTIONED THE FOLLOWING PRODUCTS WHICH HE SAID MIGHT ALSO BE INCLUDED IN US/GSL DISCUSSIONS: ACTIVATED CARBON, FATTY ACIDS, PRECIOUS STONES, FATT ACIDS OF COCONUT OIL, FATTY ALCOHOLS, COIR FLOOR COVERINGS, CHINAWARE, PASSION FRUIT JUICE, AND DESSICATED COCONUT. EMBOFF ASKED IF SAMARANAYAKE WAS INDICATING A GSL DESIRE TO INCLUDE THESE SPECIFIC PRODUCTS IN NEGOTIATIONS. HE RESPONDED THAT HE WAS NOT IN A POSITION TO MAKE SUCH A COMMITMENT FOR THE GSL AND HE WANTED TO MAKE IT CLEAR THAT THE PRODUCTS WERE MENTIONED ONLY AS EXAMPLES OF OTHER PRODUCTS WHICH MIGHT ALSO BE SUBJECT TO NEGOTIATION IN ADDITION TO TROPICAL PRODUCTS PREVIOUSLY DISCUSSED.

6. COMMENT: DESPITE SAMARANAYAKE'S DENIAL, EMBOFF BELIEVES IT POSSIBLE THAT THESE PRODUCTS WERE MENTIONED WITH THE PURPOSE OF MAKING KNOWN TO THE US GOVERNMENT OTHER AREAS OF GSL INTEREST.

7. REGARDING RECIPROCITY, SAMARANAYAKE STATED THAT THERE IS A FEELING AMONG SOME LDC'S THAT USG DEMAND FOR TOKEN RECIPROCITY IS BASED ON IMPRACTICAL PRINCIPLE DERIVED FROM PRINCIPLE OF COMPLETE RECIPROCITY UPON WHICH US, EC AND JAPANESE NEGOTIATIONS ARE BASED. HE WENT ON TO

SAY THAT IF THE "BIG THREE PARTNERS," I.E. EC, US, AND JAPAN, ARE PREPARED TO MOVE ON NEGOTIATIONS, MUCH OF THE DELAYS IN US BILATERAL NEGOTIATIONS WITH LDC'S MIGHT BE AVOIDED. "QUESTIONS SUCH AS CONTINUED SUBSIDIES ON EC OILS WILL DEFINITELY AFFECT OUR BILATERAL AGREEMENTS ON OILS. UNTIL THE BIGGER ISSUES ARE RESOLVED, YOUR COUNTRY'S STANCE AND OUR WILL BE HARD TO IDENTIFY."

8. COMMENT: IT STILL IS NOT CLEAR HOW MUCH INFLUENCE SAMARANAYAKE HAS ON GSL COMMODITY POLICY. HOWEVER, HE APPEARS TO BE OF THE OPINION THAT TARIFFS LOWERED BY RECENT ECONOMIC POLICY CHANGES AND THE REMOVAL OF COMMON-WEALTH PREFERENCES SHOULD BE CONSIDERED BY US AS ADEQUATE TO MATCH US OFFERS ALREADY TABLED. EMBASSY HOPES HIS POINT WILL BE SYMPATHETICALLY CONSIDERED SINCE LIMITED OFFICIAL USE

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PAGE 04 COLOMB 02130 051153Z

SUBSTANTIAL CHANGES IN THE FORMER VERY RESTRICTIVE TARIFF REGIME ARE IN TRAIN. AT THE SAME TIME, HIS RELAXED AND SLIGHTLY MORE FLEXIBLE ATTITUDE DURING MAY 2 MEETING SEEMS TO REFLECT A POSITIVE REACTION TO MARCH 23 GENEVA MEETINGS AND THAT GSL REMAINS FLEXIBLE THOUGH UNWILLING TO MAKE CLEAR RESPONSE TO US OFFERS AT THIS TIME.

WRIGGINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LIBERALIZATION, TARIFFS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978COLOMB02130
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780192-0183
Format: TEL
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780590/aaaacytp.tel
Line Count: 144
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1cdccba3-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 4787, 78 STATE 89948, 78 STATE 24987, 78 STATE 53450, 78 COLOMBO 1594
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2784554
Secure: OPEN
Status: NATIVE
Subject: US/SRI LANKA BILATERAL ON US TARIFF OFFER
TAGS: ETRD, CE, MTN, GATT
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1cdccba3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014